

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 2/2/2016	(3) CONTACT/PHONE Jim Hamilton 781-5043	
(4) SUBJECT Request to authorize the issuance of legal notices of public hearings regarding solid waste disposal rate increase within the boundaries of the Los Osos Community Services District and surrounding areas. Hearing date set for March 22, 2016. District 2.			
(5) RECOMMENDED ACTION  It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Schedule public hearing for March 22, 2016 on the proposed solid waste disposal rate increase within the boundaries of the Los Osos Community Services District (LOCSD) during which all valid written protests to the proposed increases will be considered; and</li> <li>2. Schedule public hearing for March 22, 2016 on the proposed solid waste disposal rate increase within the areas surrounding the LOCSD during which all valid written protests to the proposed increases will be considered; and</li> <li>3. Direct the Auditor-Controller-Treasurer-Tax Collector (ACTTC), or his designee, to mail the attached notices of public hearing in accordance with Article XIII D of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code).</li> </ol>			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input type="checkbox"/> Board Business (Time Est. ____ )			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Honorable Board of Supervisors

FROM: James P. Erb, Auditor - Controller - Treasurer - Tax Collector

DATE: February 2, 2016

SUBJECT: Request to authorize the issuance of legal notices of public hearings regarding solid waste disposal rate increase within the boundaries of the Los Osos Community Services District and surrounding areas. Hearing date set for March 22, 2016. District 2.

## **RECOMMENDATION**

It is recommended that the Board:

1. Schedule public hearing for March 22, 2016 on the proposed solid waste disposal rate increase within the boundaries of the Los Osos Community Services District (LOCSD) during which all valid written protests to the proposed increases will be considered; and
2. Schedule public hearing for March 22, 2016 on the proposed solid waste disposal rate increase within the areas surrounding the LOCSD during which all valid written protests to the proposed increases will be considered; and
3. Direct the Auditor-Controller-Treasurer-Tax Collector (ACTTC), or his designee, to mail the attached notices of public hearing in accordance with Article XIII D of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code).

## **DISCUSSION**

Mission Country Disposal has submitted a request to the County for a Base Year rate increase of 10.37% for solid waste disposal collection services provided within the LOCSD and surrounding areas, pursuant to the Amended and Restated Solid Waste Collection Franchise Agreement (LOCSD Franchise Agreement) and the Solid Waste Collection Franchise Agreement (County Franchise Agreement), respectively, effective April 1, 2016. The requested increase of 10.37% is comprised of 5.76% for increased operating costs, 4.00% for implementation of an organics diversion program, and 0.61% for pass through of tipping fee increases related to the expansion of Cold Canyon landfill.

In addition to the 2016 increase, Mission Country is requesting pre-approval of Interim Year rate increases effective January 1, 2017 and January 1, 2018 equal to increases, if any, in CPI (U.S. Department of Labor, Bureau of Labor Statistics, Urban Consumers All U.S. City Average) and increases of 0.59% for 2017 and 0.57% for 2018 for \$2.25 per-ton tipping fee increases scheduled at Cold Canyon Landfill in those years.

## **PUBLIC HEARINGS REQUIRED**

This same request was granted to Mission Country Disposal for the San Simeon, rural Cayucos and rural Morro Bay service areas (service areas in which service is not mandatory) by Board action on November 24, 2015. Pursuant to Section 8.12.310 of the County Code, solid waste disposal services are mandatory for all places and premises located within and around LOCSD (specifically, within the urban reserve lines of the Baywood/Los Osos area established by the Land Use Element and Local Coastal Plan Estero Planning Areas of the San Luis Obispo County General Plan). Consequently, and in accordance with Section 11.3 of the LOCSD Franchise Agreement, the County is following the procedure for establishing new or increased "property related fees" for refuse collection services set forth in Proposition 218.

This requested Board action will initiate the Proposition 218 process and the mailing of separate notices of public hearing (Exhibit C and Exhibit D) to all property owners and customers in the LOCSD and to all property owners and customers in areas surrounding the LOCSD, not less than 45 days prior to the March 22, 2016 hearing date as required under Proposition 218. The notices include proposed rates by individual service type, explain the reasons for the requested increase and provide direction on how to protest the proposed increases. Protests must be submitted in writing and received by the Clerk-Recorder before the close of the public hearing on March 22, 2016. In the event that written protests are submitted by the owner and the tenant responsible for the payment of the bill, one valid protest is counted for the parcel. If valid written protests are filed by a majority (50%+1), the proposed rate increase may not be imposed.

#### **TRANSFER OF THE LOSCD FRANCHISE TO THE COUNTY**

In December 2013, the LOCSD assigned the LOCSD Franchise Agreement to the County. Accordingly, the relevant terms and conditions for service within the LOCSD, including rate reviews, are as set forth in the LOCSD Franchise Agreement (unless modified as part of the Assignment of Franchise Agreement). There are several differences regarding rate reviews between the Franchise Agreement and other franchise agreements that the County has entered into covering service within other areas of the County, including the County Franchise Agreement. By way of example, under the LOCSD Franchise Agreement the *City of San Luis Obispo Rate Setting Process and Methodology Manual* (Rate Setting Manual) is the basis for rate reviews, and rates are required to be at least 1% less than “what other agencies are paying for similar services.”

To evaluate conformance of the proposed rate increase with the LOCSD Franchise Agreement, the ACTTC requested an independent review of the Base Year application from William Statler. Mr. Statler has expertise on rate adjustments since he was responsible for the development of the Rate Setting Manual when he served as Director of Finance for the City of San Luis Obispo, and has provided similar review services for the Cities of Arroyo Grande, Pismo Beach, Grover Beach and the Oceano Community Services District. Mr. Statler concluded the requested LOCSD rate adjustments for all three years are justified in accordance with the provisions of the Rate Setting Manual. As of the preparation of this Board item, Mr. Statler is finalizing his written report. We anticipate his report will be complete before the notices of public hearing are mailed and plan to include an internet link to the report on the notice.

While Mr. Statler's review specifically evaluates the proposed rate increase within the LOCSD and its conformance to the Rate Setting Manual, we believe that much of the analysis contained in the report is applicable to the proposed rate increase in the areas surrounding the LOCSD, because both the Franchisee and the proposed rate increase are the same in both areas. In addition, many of the rate setting objectives articulated in the Rate Setting Manual are applicable to an evaluation of proposed rate increases under the County Franchise Agreement, including, without limitation, the objective that revenues are fair to both the customer and the hauler and are justifiable and supportable.

#### **ORGANICS DIVERSION PROGRAM**

Approximately one-quarter of the proposed rate increase is to fund the implementation of an Organics Program to meet the requirements of AB 1826 (2014), which requires local jurisdictions across the State to develop programs to divert organic waste from landfills to authorized disposal facilities. At the May 13, 2015 San Luis Obispo County Integrated Waste Management Authority Board meeting, Waste Connections (parent company of Mission Country Disposal) presented a two-phased plan for long term management of organic waste to comply with the new requirements.

The first phase, known as the Interim Phase, will expand the existing residential green waste collection program to include food waste. Instead of processing the material at Cold Canyon, the material will go to the Engle and Gray composting facility in Santa Maria, resulting in additional transfer, transportation and tipping fee costs. This phase also includes additional costs for providing individual food waste containers to customers.

The Permanent Phase, expected to begin in mid-2017, is planned to include the construction of an anaerobic digestion facility at Waste Connection's existing yard on Old Santa Fe Road in the unincorporated area of the County outside the City of San Luis Obispo. The requested rate increase is expected to cover both phases of the organics diversion program as increased Interim Phase transfer costs will discontinue and be replaced by equivalent increased tipping fees upon commencement of the Permanent Phase.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

ACTTC staff has worked with County Counsel and the Public Works department in processing the proposed rate increase.

### **FINANCIAL CONSIDERATIONS**

The proposed rate increase will result in an average increase of \$2.30 per month to single family residential customers receiving standard service. The cost of mailing the notices of public hearing are paid by the Hauler. The County will receive a slight increase in franchise fee revenues; overall, there will be no significant financial impact to the County budget.

### **RESULTS**

Annual rate adjustments enable garbage companies to maintain established profit margins while providing quality uninterrupted solid waste services to the public at reasonable fee levels, contributing to a healthier, more livable and well-governed community.

### **ATTACHMENTS**

1. Exhibit A - Mission Country Disposal Monthly Rates - Los Osos CSD Area
2. Exhibit B - Mission Country Disposal Monthly Rates – Areas Surrounding the Los Osos CSD Boundaries
3. Exhibit C - Notice of Public Hearing regarding Proposed Solid Waste Rate Increase within the Los Osos CSD
4. Exhibit D - Notice of Public Hearing regarding Proposed Solid Waste Rate Increase within Areas Surrounding the Los Osos CSD